



CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: June 14, 2010
TO: Mayor and Councilmembers
FROM: Administration Division, Finance Department
SUBJECT: Fiscal Year 2011 Recommended Operating And Capital Budget

RECOMMENDATION: That Council:

- A. Hear a report from staff on the results of the Finance Committee's review of various elements of the Fiscal Year 2011 Recommended Budget, including their recommendations;
- B. Consider and approve adjustments to the proposed Fiscal Year 2011 Golf budget and green fees;
- C. Consider and approve adjustments to the Fiscal Year 2011 Recommended Budget contained in the Summary of Proposed Adjustments based on new information and/or changes to circumstances since the filing of the budget on April 20, 2010; and
- D. Provide staff with direction toward adopting the Fiscal Year 2011 budget on June 29, 2010.

DISCUSSION:

In connection with the City Council's review of the Fiscal Year 2011 Recommended Budget, seven public hearing dates were held during which City departments presented their respective budgets. Staff is now seeking direction from Council with regard to closing the remaining budget gap of approximately \$2.6 million and any other adjustments the Council may wish to make prior to adoption of the budget on June 29, 2010.

Staff will present four items: (1) staff-proposed changes to the Fiscal Year 2011 Recommended Budget; (2) the results of the Parks and Recreation Department's analysis of golf green fees conducted in conjunction with the Golf Advisory Committee; (3) Finance Committee's proposed changes to the recommended budget; and (4) staff recommendations to close the budget deficit based on comments received and the status of labor negotiations.

If needed, another Council work session is scheduled for Wednesday, June 16 from 2:00 p.m. to 5:00 p.m. to continue budget deliberations.

Staff-Proposed Changes to the Fiscal Year 2011 Recommended Budget

New information has come to light since the filing of the Fiscal Year 2011 Recommended Budget in April 2010 that necessitate changes to the estimated revenues and appropriations contained within that document. This occurs every year. As such, staff proposes changes to the recommended budget to reflect this new information. These changes are contained in the Summary of Proposed Adjustments (see Attachment 1).

Recommended Changes to Fiscal Year 2011 Golf Budget

As part of the proposed FY 2011 budget, the Parks and Recreation Department initially proposed increases to most fees at the Municipal Golf Course, effective July 1, 2010, in addition to expenditure reductions. The higher increases were based on the need to achieve the revenue required to support the maintenance operation, and a continuing decline in rounds as a result of the economic downturn. After further consideration of the fee increases and in response to concerns of the Golf Advisory Committee, Parks and Recreation Department staff conducted further analysis on trends, fees, and rounds estimates and marketing options for Fiscal Year 2011.

As a result of this analysis, the Parks and Recreation Department developed a revised budget strategy which focuses on increasing rounds at the golf course above current levels to ensure the Golf Course's future fiscal success. This strategy and related budget changes were outlined in the May 21, 2010 memorandum to Mayor and Council (see Attachment 2). In summary, the following changes are recommended to the proposed FY 2011 Golf Budget.

1. Revise Fees as follows:

- a. Eliminate proposed fee increases; fees will remain at FY 2010 levels
- b. Retain 3 proposed fee decreases to compete with other golf courses
 - i. 9 holes weekday from \$23 to \$20
 - ii. 9 holes weekend from \$24 to \$21
 - iii. Twilight from \$23 to \$20
- c. Implement special promotion rates as permanent fee changes
 - i. Friday pricing changed from weekend to weekday rates
 - ii. New Fee: Re-Play rate, 50% off greens fee for a second round of golf played on the same day
 - iii. New Fee: Super Twilight rate, May through September, 50% off greens fee after 5:00pm
 - iv. New Fee: Student rate (18 and older), pays golf fee equal to applicable resident rate with valid student ID

2. Reduce Revenue Budget by \$38,797 to \$2,049,194. Net change from eliminating proposed fee increases (- \$95,077) and increasing projected rounds by 3.2% (\$56,280)
3. Reduce Expenditure Budget by \$38,797 to \$2,049,194. Net change from re-allocating appropriated reserves (- \$87,440), deferring capital expenditure to repaint the clubhouse one year (- \$50,000), retaining Grounds Maintenance Worker 1 position which was proposed for elimination at .50 FTE (\$34,193), and increase marketing budget to support a comprehensive marketing plan (\$64,450).

Both the Golf Advisory Committee and the Parks and Recreation Commission support the revised budget strategy and recommended changes.

Finance Committee Recommendations

Between April 27th and May 25th the Finance Committee had four meetings during which the Committee reviewed certain elements of the budget in more detail than is normally reviewed by Council as part of the departmental budget presentations. The key elements reviewed by the Committee included proposed changes to fees, and General Fund revenue estimates and reserve balances.

The Committee voted to forward to Council their recommendation that most proposed fee increases be approved. In a few cases, the Committee made different recommendations, which are noted below.

Proposed Increase to Appeal Fee

The Community Development Department currently charges \$395 for appeals heard by City Council. Staff has monitored the effort on a few appeals and found that on average the costs of the City Council hearing, the site visit, report preparation and working through the issues with the applicants and appellants is approximately \$9,000.

With this in mind, staff proposed a new appeal fee for discussion purposes with the following parameters:

- Set a deposit fee of \$3,000;
- Conduct a mandatory mediation meeting in an effort to resolve the appeal; and
- If the appeal moves forward to a full hearing in front of City Council, refund 50% of the deposit to the appellant if Council upholds the appeal.

The Finance Committee recommended that the appeal fee be raised by only 10%, consistent with proposed increases to other fees. Some of the concerns raised by the Committee include not wanting to financially preclude the public from having the City Council hear their case; and that in most cases the appellant raises valid concerns and arguments.

Water Fund Proposed Fee Increase

Public Works staff has proposed a 3.5% increase to Water service charges beginning July 1, 2010. The rate increase is part of a Council approved ten year rate plan designed to fund the Water Fund's long-term capital program.

For water service, staff has recommended an across-the-board increase of 3.5% for all monthly service charges and metered water usage. The increase will help support major capital projects, including rehabilitation of the Ortega Groundwater Treatment Plant, construction of advanced treatment facilities at Cater Water Treatment Plant, ongoing water main replacement, rehabilitation of the recycled water filtration system, and capital maintenance work on treatment and distribution facilities. Operating costs include significant increases in water treatment costs due to lingering water quality effects of the Zaca Fire.

The Finance Committee recommended (2-0; Francisco absent) that water service charges be increased by 2.5% rather than 3.5% in Fiscal Year 2011. This will reduce revenues by an estimated \$300,000, and will require using reserves above policy in an equal amount to fund the Water Fund's capital program. On a longer term basis, rates will have to be evaluated against future capital needs to determine and develop a long-term rate strategy that avoids depleting reserves and ensures that capital needs are being met, including the annual main replacement program.

Funding of Annual Main Replacement Program – Wastewater Fund

The Finance Committee recommended that Council consider suspending the Sewer Lateral Incentive Program (SLIP) and using those funds to expand the Annual Sewer Main Replacement Program. The recommendation stemmed from the under-funded Main Replacement Program of approximately \$2.6 million in Fiscal Year 2011.

The Fiscal Year 2011 Recommended Budget includes approximately \$700,000 for the SLIP, although based on costs incurred since the programs inception, the cost will likely be closer to \$1 million.

Solid Waste Rate Increases

The recommended budget includes proposed fee increases for refuse services charged by the Solid Waste Enterprise Fund of 2.9%. The proposed fee increases are required pursuant to existing contracts with the City's two refuse haulers, MarBorg Industries and Allied Waste Industries. The proposed fee increases will cover increases to tipping fees and the County-operated Tajiguas Landfill as well as increases to collection costs paid to the two haulers based on the change in the Consumer Price Index. These increases are essentially non-discretionary in that they are established in the franchise agreements.

The Committee did not make a recommendation on the proposed increases.

Repayment of Franchise Fees to General Fund by Solid Waste Fund

From fiscal year 2003 through 2009, the Solid Waste Fund collected approximately \$2.6 million in franchise fees from the City's two refuse haulers. The monies have been used to pay for Environmental Services Division staff and programs designed to maximize diversion of waste from Tajiguas Landfill.

In connection with the balancing of the General Fund in Fiscal Year 2010, staff recommended and City Council approved shifting the franchise fees, estimated at \$440,000, to the General Fund *prospectively* beginning in 2010.

The Finance Committee requested staff to evaluate the ability of the Solid Waste Enterprise Fund to repay the \$2.6 million in franchise fees collected prior to Fiscal Year 2010.

Based on a review of a long-term forecast of revenues, expenses and reserve balances, the Finance Committee recommended that Council approve a repayment of \$50,000 each in Fiscal Years 2011 and 2012. In 2012, the Committee recommended that staff update the multi-year forecast and re-evaluate to what extent the Solid Waste Fund can continue and/or increase the level of repayment amount.

Shifting Additional State Street Maintenance Costs to the Downtown Parking Fund

The maintenance of the State Street landscaping and sidewalks is completed through a contract with the Downtown Organization at a cost of \$624,000 currently split 50-50 between the General Fund (Parks & Recreation Department) and the Downtown Parking Fund. In connection with the balancing of the General Fund for Fiscal Year 2010, staff presented an alternative option to the Finance Committee and Council to shift \$312,000, the remaining 50% of costs for maintaining State Street Sidewalks, from the General Fund to the Downtown Parking Fund.

In order to offset the impact to the Downtown Parking Fund, the option proposed shifting \$312,000 from the Redevelopment Agency monies to the Downtown Parking Fund capital program. The net impact to the Downtown Parking Fund would then be \$0, but it would result in a one-time savings to the General Fund of \$312,000.

The Finance Committee recommended that Council implement this option for FY 2010 only at this time. The Committee considered shifting the full cost on a permanent basis, but based on a review of a Downtown Parking Fund's finances, the Committee did not recommend a permanent shift.

Council Deliberations and Direction to Staff

Staff will provide Council with a summary of the review and discussions that occurred since the filing of the recommended budget on April 20, 2010. In addition, staff will provide Council with an update of the outstanding budget gap and alternative balancing approaches.

At this meeting, staff will be looking for final direction from Council. If necessary, a final meeting on June 16th will be held for additional deliberations and directions to staff.

ATTACHMENTS:

1. Summary of Proposed Adjustments to Fiscal Year 2011 Recommended Budget
2. Memo to Council Dated May 21, 2010 Regarding Golf Fees

SUBMITTED BY: Robert Samario, Interim Finance Director

APPROVED BY: City Administrator's Office

CITY OF SANTA BARBARA
Summary of Proposed Adjustments
Fiscal Year 2011 Recommended Budget

	<u>Estimated Revenue</u>	<u>Appropriations</u>	<u>Addition to (Use of) Reserves</u>
GENERAL FUND			
Non-Departmental			
Increase revenue for PILOT payment from Housing Authority	57,000	-	
City Administrator's Office			
Reduce CalGrip Grant Revenue (Budgeted in Misc. Grants Fund)	\$ (27,271)	\$ -	
Fire Department			
Shift Fire Warehouse Specialist to Additional Options	\$ -	\$ 62,555	
Additional Savings from Eliminating Two Vacant Relief Capt. Positions	-	(30,000)	
Eliminate Vacant Office Specialist II	-	(60,930)	
Parks and Recreation Department			
Reduce Sign Clearance Revenue from Street Sweeping	\$ (14,000)	\$ -	
Reduce Sign Clearance Expenditures Due to Lost Revenue	-	(14,000)	
Reduce Teen Center Lease revenue	(7,000)	-	
Reduce Revenue for Reduced Costs for Maint. of Facilities	(6,164)	-	
Reduce Expenditures for Reduced Costs for Maint. of Facilities	-	(6,164)	
Police Department			
School Crossing Guard Program (50% Cost Sharing)	\$ 52,650	\$ 105,300	
General Fund Total	<u><u>\$ 55,215</u></u>	<u><u>\$ 56,761</u></u>	<u><u>\$ (1,546)</u></u>
CITY HALL ALLOCATION FUND			
Non-Departmental			
Increase Appropriation to Upgrade Phone System	-	100,000	
City Hall Allocation Fund Total	<u><u>\$ -</u></u>	<u><u>\$ 100,000</u></u>	<u><u>\$ (100,000)</u></u>
COUNTY LIBRARY FUND			
Library Department			
Increase Donation Revenues	\$ 18,999	\$ -	
Increase Appropriation to Keep Montecito Library Open on Mondays	-	18,999	
County Library Fund Total	<u><u>\$ 18,999</u></u>	<u><u>\$ 18,999</u></u>	<u><u>\$ -</u></u>

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Fiscal Year 2011 Recommended Budget

	<u>Estimated Revenue</u>	<u>Appropriations</u>	<u>Addition to (Use of) Reserves</u>
MEASURE A FUND			
Public Works Department			
Reduced transportation sales tax revenue	\$ (215,195)	\$ -	
Reduced expenditures due to reduced revenue	<u>-</u>	<u>(215,195)</u>	
Measure A Fund Total	<u><u>\$ (215,195)</u></u>	<u><u>\$ (215,195)</u></u>	<u><u>\$ -</u></u>
 RISK MANAGEMENT FUND			
Finance Department			
Eliminate Vacant Risk Analyst	<u>\$ -</u>	<u>\$ (104,408)</u>	
Risk Management Fund Total	<u><u>\$ -</u></u>	<u><u>\$ (104,408)</u></u>	<u><u>\$ 104,408</u></u>
 STREETS FUND			
Public Works Department			
Increase Highway User Tax revenue estimate	\$ 337,670	\$ -	
Increase Appropriation for Resurfacing Program	<u>-</u>	<u>337,670</u>	
Streets Fund Total	<u><u>\$ 337,670</u></u>	<u><u>\$ 337,670</u></u>	<u><u>\$ -</u></u>



**City of Santa Barbara
Parks and Recreation Department**

Memorandum

DATE: May 21, 2010
TO: Mayor and City Councilmembers
FROM: Nancy L. Rapp, Parks and Recreation Director
SUBJECT: Proposed Fiscal Year 2011 Golf Division Budget

The proposed FY 2011 Golf Division budget was submitted as a conservative budget due to several factors: a national decline in the sport of golf, the decline of revenue and rounds at the Santa Barbara Golf Club (SBGC) due to the construction this year, and the overall state of the economy. Expenditures were reduced where achievable; however, sizeable fee increases were necessary in order to balance the budget.

In reducing expenditures, two positions were deleted: the portion of the Parks and Recreation Business Manager charged to the Golf Division and one full-time Grounds Maintenance Worker I. Generally, the proposed fee changes were a \$3 increase for residents and a \$5 increase for non-residents. The higher increases were based on the need to achieve the revenue required to support the Golf Course maintenance operation and a continuing decline in rounds played at SBGC primarily in response to the downturn economy.

Golf Advisory Committee Budget Work Session Recommendations

The Golf Advisory Committee (GAC), at their April 7, 2010, budget work session expressed concern over the large fee increases proposed with the budget. They recommended staff do additional analysis on the feasibility of increasing rounds at the Golf Course in lieu of increasing fees, or not increasing fees as much as proposed, and identified a number of marketing and promotion ideas to encourage more play at the Golf Course. They also expressed concern over reducing the maintenance staff, given the priority of course and facility conditions for attracting and retaining golfers.

Proposed Revisions to FY 2011 Golf Division Budget

Staff conducted further analysis on trends, fees, and rounds estimates for FY 2011, and marketing options. As a result, staff developed a revised budget strategy for FY 2011, which was reviewed and supported by the Finance Director, Assistant City Administrator, and City Administrator. This includes the following:

Revenue

1. INCREASE ROUNDS AND REVENUE: The FY 2011 budget is based on 61,657 rounds, a 3.6% increase over the FY 2010 projection of 59,414 rounds. On the assumption that marketing and promotions will increase rounds and revenue above original projections, it is proposed increase rounds by 1,966, bringing the FY 2011 total projected rounds to 63,623. This generates additional revenue of \$56,280. The revised annual rounds of 63,623 are a 7.1% increase over projected FY 2010 rounds of 59,414.
2. PROPOSED FEE CHANGES:
 - A. Leave most fees at the FY 2010 level, with 3 exceptions where fee reductions are recommended to compete with other golf courses. Not raising the fees as proposed results in a revenue decrease of approximately \$95,077. Proposed fee reductions:
 - a. 9 holes resident weekday from \$23 to \$20
 - b. 9 holes resident weekend from \$24 to \$21
 - c. Twilight resident from \$23 to \$20
 - B. The following fee changes have been implemented as "special promotions" and are proposed to become permanent.
 - a. Friday pricing changed from weekend to weekday rates
 - b. New: "Re-play" rate, 50% off the greens fee for a second round of golf played on the same day
 - c. New: "Super Twilight" rate, May through September, 50% off greens fee for rounds played after 5:00 pm
 - d. New: "Student" rate category, 18 and older, pays the golf fee equal to applicable resident rate with valid student ID

Expenditures

1. DEVELOP COMPREHENSIVE MARKETING PLAN: Historically, the Golf Course has spent approximately \$15,000 a year for in-house advertising and promotion. With the fiscal success of the Golf Course dependent on significantly increasing rounds above current levels, staff believes that professional marketing expertise is needed to analyze fee and round trends, conduct market position analysis, and develop a comprehensive marketing plan. Increasing the marketing budget by \$64,450 will support hiring a consultant, expanding in-house efforts and implementing a more comprehensive marketing plan.
2. REINSTATE MAINTENANCE POSITION: With the priority of maintaining the high quality of golf course maintenance and customer service that the course is recognized for, it is proposed to restore the Grounds Maintenance Worker 1 position at .50 FTE (currently at 1.0 FTE).

3. RE-ALLOCATE APPROPRIATED RESERVES: \$87,440
4. DELAY CAPTIAL: Delay the proposed capital expense of painting the club house to FY 2012 for a savings of \$50,000

Golf Advisory Committee Recommendation

At their May 12, 2010, meeting, the GAC supported the revised budget strategy for FY 2011 recommended approval to the Parks and Recreation Commission:

Parks and Recreation Commission Recommendation

At their Special Meeting of May 19, 2010, the Parks and Recreation Commission supported the revised FY 2011 strategy and recommended approval to City Council.

cc: Jim Armstrong, City Administrator
Paul Casey, Assistant City Administrator
Robert Samario, Interim Finance Director
Jill Zachary, Assistant Parks & Recreation Director
Nancy Woods, Administrative Analyst II
Mark Reed, Golf Course Manager
Shari Staufenberg, Accounting Assistant